



DEPARTMENT OF AGRICULTURE

Agricultural Marketing Service

7 CFR Part 947

[Doc. No. AMS-FV-13-0036; FV13-947-1 FR]

Irish Potatoes Grown in Modoc and Siskiyou Counties, California, and in all Counties in Oregon, except Malheur County; Termination of Marketing Order No. 947

AGENCY: Agricultural Marketing Service, USDA.

ACTION: Final rule, termination of order.

SUMMARY: This final rule terminates Marketing Order No. 947 (order), which regulates the handling of Irish potatoes grown in Modoc and Siskiyou Counties, California, and in all counties in Oregon, except Malheur County, and the rules and regulations issued thereunder. The Department of Agriculture (USDA) has determined that the marketing order is no longer an effective marketing tool for the Oregon-California potato industry, and that termination serves the current needs of the industry while also eliminating the costs associated with the operation of the marketing order.

DATES: Effective Date: [INSERT DATE 1 DAY AFTER THE DATE OF PUBLICATION IN THE FEDERAL REGISTER].

FOR FURTHER INFORMATION CONTACT: Melissa Schmaedick, Senior Marketing Specialist, or Michelle Sharrow, Rulemaking

Branch Chief, Marketing Order and Agreement Division, Fruit and Vegetable Program, AMS, USDA; 1400 Independence Avenue SW, Stop 0237, Washington, DC 20250-0237; Telephone: (202) 720-2491, Fax: (202) 720-8938 or E-mail: Melissa.Schmaedick@ams.usda.gov, or Michelle.Sharrow@ams.usda.gov.

Small businesses may request information on complying with this regulation by contacting Jeffrey Smutny, Marketing Order and Agreement Division, Fruit and Vegetable Program, AMS, USDA; 1400 Independence Avenue SW, STOP 0237, Washington, DC 20250-0237; Telephone: (202) 720-2491, Fax: (202) 720-8938, or E-mail: Jeffrey.Smutny@ams.usda.gov.

SUPPLEMENTARY INFORMATION: This action is governed by section 608c(16)(A) of the Agricultural Marketing Agreement Act of 1937, as amended (7 U.S.C. 601-674), hereinafter referred to as the "Act," and § 947.71 of Marketing Agreement No. 114 and Marketing Order No. 947, both as amended (7 CFR part 947), effective under the Act and hereinafter referred to as the "order."

USDA is issuing this rule in conformance with Executive Orders 12866 and 13563.

This final rule has been reviewed under Executive Order 12988, Civil Justice Reform. This rule is not intended to have retroactive effect.

The Act provides that administrative proceedings must be exhausted before parties may file suit in court. Under section 608c(15)(A) of the Act, any handler subject to an order may file with USDA a petition stating that the order, any provision of the order, or any obligation imposed in connection with the order is not in accordance with law and request a modification of the order or to be exempted therefrom. A handler is afforded the opportunity for a hearing on the petition. After the hearing USDA would rule on the petition. The Act provides that the district court of the United States in any district in which the handler is an inhabitant, or has his or her principal place of business, has jurisdiction to review USDA's ruling on the petition, provided an action is filed not later than 20 days after the date of the entry of the ruling.

This rule terminates Federal Marketing Order No. 947 and the rules and regulations issued thereunder. The order authorizes regulation of the handling of Oregon-California potatoes. At a meeting held in Salem, Oregon, on March 7, 2013, the Committee recommended termination of the order.

Section 947.71 of the order provides, in pertinent part, that USDA terminate or suspend any or all provisions of the order when a finding is made that the order does not tend to effectuate the declared policy of the Act. In

addition, section 608c(16)(A) of the Act provides that USDA terminate or suspend the operation of any order whenever the order or any provision thereof obstructs or does not tend to effectuate the declared policy of the Act. Additionally, USDA is required to notify Congress at least 60 days before the date that the order would be terminated.

The order has been in effect since 1942 and provides the Oregon-California potato industry with authority to establish grade, size, maturity, quality, pack and inspection requirements. The order also authorizes the Committee to conduct marketing research and development projects, collect assessments, and establish reporting and recordkeeping requirements.

Based on the Committee's recommendation, USDA suspended the order's handling, reporting, and assessment collection regulations effective July 1, 1999 (64 FR 49352). The suspended handling regulations (§ 947.340) specify minimum quality requirements for potatoes produced within the regulated production area. When the Committee made the recommendation to suspend the handling regulations, the industry believed that the costs of inspections outweighed the benefits of having the regulatory requirements in effect. At that time, the Committee also suspended assessment collection because

there were sufficient funds in the monetary reserve to support the Committee's administrative functions. Suspension of §§ 947.247 and 947.180 suspended the collection of assessments and the reporting provision that provided a basis for assessment collection. The Committee also decided to evaluate its finances and the marketing conditions annually thereafter to determine whether to continue with the suspension or take some other action.

After almost 14 years of evaluating the effects of operating without the handling, reporting, and assessment collection regulations, the Committee has determined that suspension has not adversely impacted the Oregon-California potato industry. Marketing conditions and statistics show that the Oregon-California potato industry has steadily declined over the past several years, which led the Committee to conclude that the order is no longer an effective marketing tool. Termination would relieve the industry of the costs and burdens associated with the order.

Evidence reflecting the industry's steady decline include statistics showing that the Oregon-California potato industry has fewer producers and handlers today than 30 years ago, and that acreage and production have significantly decreased. For example, USDA Marketing Order

and Agreement Division records from a 1978 continuance referendum indicate that there were approximately 464 producers of potatoes in the order's production area, while the most recent information received from the Committee indicates that there are now only 130 active producers. Furthermore, Committee records indicate that there were 47 handlers in 1978. Currently, there are only 16 handlers. Committee records also indicate that 6,810,195 hundredweight of Oregon-California potatoes were shipped in 1978 compared to shipments of 3,430,548 hundredweight in 2011.

Final Regulatory Flexibility Analysis

Pursuant to the requirements set forth in the Regulatory Flexibility Act (RFA) (5 U.S.C. 601-612), the Agricultural Marketing Service (AMS) has considered the economic impact of this rule on small entities. Accordingly, AMS has prepared this final regulatory flexibility analysis.

The purpose of the RFA is to fit regulatory actions to the scale of businesses subject to such actions in order that small businesses will not be unduly or disproportionately burdened. Marketing orders issued pursuant to the Act, and the rules issued thereunder, are

unique in that they are brought about through group action of essentially small entities acting on their own behalf.

There are 16 handlers of potatoes subject to regulation under the order and approximately 130 potato producers in the regulated production area. Small agricultural service firms are defined by the Small Business Administration (SBA) as those having annual receipts of less than \$7,000,000 and small agricultural producers are defined as those having annual receipts of less than \$750,000. (13 CFR 121.201)

During the 2011 marketing year, the Committee reported that 3,430,548 hundredweight of Oregon-California potatoes were shipped into the fresh market. Based on information from the National Agricultural Statistics Service, the average producer prices for Oregon and California potatoes in 2011 were \$8.05 and \$14.70 per hundredweight, respectively. Multiplying the 2011 shipment quantity times each of the two state's average producer price, the average gross annual revenue for the 130 Oregon-California potato producers is calculated to range between \$212,430 and \$387,916.

Typical f.o.b. shipper prices were estimated to be about \$2.00 higher than the average grower price per hundredweight. The Committee estimated handler annual

receipts from the sale of potatoes by multiplying the estimated shipper prices by individual handler shipment quantities. Based on those computations, the Committee estimated that 15 out of the 16 handlers, approximately 94 percent, had annual receipts of less than \$7,000,000. In view of the foregoing, the majority of Oregon-California potato producers and handlers may be classified as small entities.

This rule terminates the Federal marketing order for Oregon-California potatoes and the rules and regulations issued thereunder. The order authorized regulation of the handling of Oregon-California potatoes. The Committee has determined that the order is no longer an effective marketing tool for the Oregon-California potato industry. Evidence shows that suspension of the handling regulations has not adversely impacted the shipment of potatoes and that the costs associated with the order outweigh the benefits. The Committee also believes that the decline in the number of handlers and producers, and the acreage and volume of Oregon-California potatoes supports termination of the order. As a consequence, in a vote at a meeting on March 7, 2013, the Committee recommended that USDA terminate the order.

Section 947.71 of the order provides that USDA terminate or suspend any or all provisions of the order when a finding is made that the order does not tend to effectuate the declared policy of the Act. Furthermore, section 608c(16)(A) of the Act provides that USDA shall terminate or suspend the operation of any order whenever the order or provision thereof obstructs or does not tend to effectuate the declared policy of the Act. An additional provision requires that Congress be notified not later than 60 days before the date the order would be terminated.

The proposed termination of the order is a regulatory relaxation and would reduce the costs to both handlers and producers (while marketing order requirements are applied to handlers, the costs of such requirements are often passed on to producers). Furthermore, following a period of approximately 14 years of regulatory suspension, the Committee has determined that termination of the order would not adversely impact the Oregon-California potato industry.

The Committee considered alternatives to this rule, including continuing with the suspension of the handling regulations, which would require no regulatory action at this time; however, this would require the Committee to

continue collecting assessments and enforcing the reporting requirements. The Committee also considered requesting a producer continuance referendum. The Committee did not support either option, and instead recommended that the order be terminated.

In accordance with the Paperwork Reduction Act of 1995, (44 U.S.C. Chapter 35), the information collection requirements being terminated were previously approved by the Office of Management and Budget (OMB) and assigned OMB No. 0581-0178, Generic Vegetable and Specialty Crops. Termination of the reporting requirements under the marketing order would reduce the reporting and recordkeeping burden on California and Oregon potato handlers by 316.42 hours, and should further reduce industry expenses.

USDA has not identified any relevant Federal rules that duplicate, overlap or conflict with this rule.

A small business guide on complying with fruit, vegetable, and specialty crop marketing agreements and orders may be viewed at:
<http://www.ams.usda.gov/MarketingOrdersSmallBusinessGuide>. Any questions about the compliance guide should be sent to Jeffrey Smutny at the previously mentioned address in the **FOR FURTHER INFORMATION CONTACT** section.

A proposed rule inviting comments regarding the termination of Federal Marketing Order 947 was published in the **Federal Register** on July 22, 2013 (78 FR 43827). The Committee distributed the rule to handlers and producers. In addition, the rule was made available on the internet by the USDA and the Office of the **Federal Register**. The rule provided a 60-day comment period which ended on September 20, 2013. No comments were received.

Based on the foregoing, and pursuant to section 608c(16)(A) of the Act and § 947.71 of the order, it is hereby found that Federal Marketing Order 947 regulating the handling of Irish potatoes grown in Modoc and Siskiyou Counties, California, and in all counties in Oregon, except Malheur County, does not tend to effectuate the declared policy of the Act, and is therefore terminated.

Section 8c(16)(A) of the Act requires USDA to notify Congress at least 60 days before terminating a Federal marketing order program. Congress was so notified on November 12, 2013. USDA hereby appoints Committee Chairman, Jay Hoffman; Committee Vice, Chairman Troy Betz; Jim Baggenstos, Mark Campbell, John Cross, Todd Dimbat, Scott Fenters, Tad Kloepper, Michael Macy, Frank Prosser, Sidney Staunton, Dan Walchli, and Roy Wright as trustees to

conclude and liquidate the affairs of the Committee, and to continue in such capacity until discharged.

It is further found that good cause exists for not postponing the effective date of this rule until 30 days after publication in the **Federal Register** (5 U.S.C. 553) because: (1) This action relieves restrictions on handlers by terminating the requirements of the Irish potato order; (2) handling, reporting, and assessment collection regulations under the order have been suspended since 1999; (3) the Committee recommended termination, and all handlers and producers in the industry have been notified and provided an opportunity to comment; and (4) no useful purpose would be served by delaying the effective date.

List of Subjects in 7 CFR Part 947

Marketing agreements, Potatoes, Reporting and recordkeeping requirements.

Part 947 - [REMOVED]

For the reasons set forth in the preamble, and under authority of 7 U.S.C. 601-674, 7 CFR part 947 is removed.

Dated: February 18, 2014.

Rex A. Barnes,
Associate Administrator,
Agricultural Marketing Service.

Billing code 3410-02 P

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